

June 5, 2008

Lawson & Laski, PLLC
Attn: Ed Lawson
Post Office Box 3310
Ketchum, Idaho 83340

Ed,

As per your letter dated May 9, 2008 and our phone conversation on June 3, 2008, I am writing to address your concerns over Water Districts 37 & 37M's adoption of Resolution #14 and the subsequent assessment of \$90,000.00 to hire a private consultant to help rebuild Water District records.

After considerable discussion at our May 23, 2008 Advisory Board meeting, Water Districts 37& 37M agree to implement the following actions:

- 1.) To avoid future possibility of employee conflict of interest, the Districts will adopt the IDWR policy concerning outside employment of Water District employees. (Refer to enclosed policy)
- 2.) The District will not hire an outside consultant to help rebuild District records, but will rely on the IDWR to help clarify any questionable water rights.
- 3.) The \$90,000.00 that was collected in assessments for expenses related to resolution #14 will be set-aside in its own account separate from the other District operating funds. The \$90,000.00 will in effect be returned in 2009 when the assessments will be decreased by the held over \$90,000.00.
- 4.) The Districts will write and send a letter to all water users in both Districts explaining that the \$90,000.00 will not be spent and will be refunded in 2009 through decreased assessments.
- 5.) The annual meeting notice that is sent by the IDWR will reference a link to a Water Districts 37 & 37M web page where the Agenda, proposed Resolutions and Budget can be referenced online before the annual meeting.

After all of the contention related to this matter, I can honestly say that it has been a pleasure working with you. If you have any other concerns, don't hesitate to call.

Respectfully,

Kevin Lakey
Watermaster, Water Districts 37 & 37M